

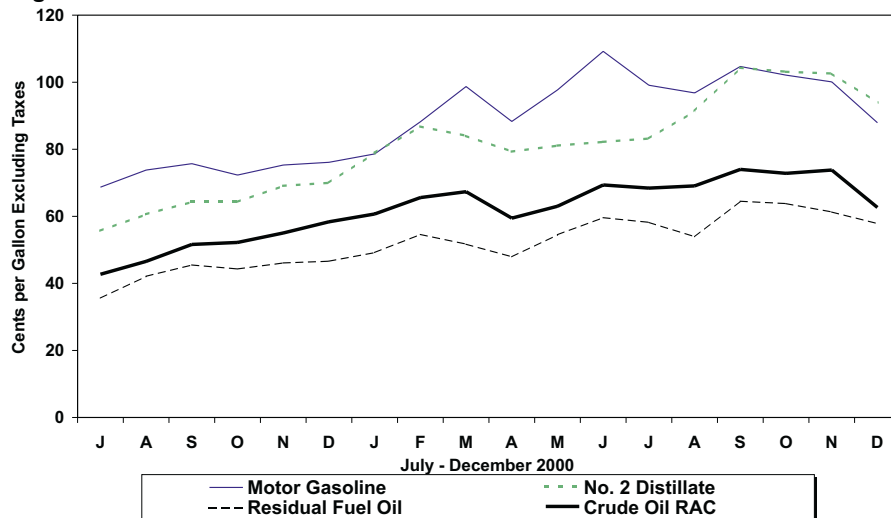
# Highlights

Marking the end of a volatile year in the petroleum products marketplace, world crude oil prices fell substantially during December. After reaching ten-year highs in November, prices started to drop at the beginning of December despite the stoppage of Iraqi crude oil exports on December 1. Iraq halted exports over a dispute with the United Nations concerning its plan to add a 40-cents per barrel surcharge on export sales. The fee was to be paid directly to the Iraqi government, thus circumventing the “oil for food” program administered by the United Nations. However, assurances by Saudi Arabia to increase production and promises by the United States and the International Energy Agency to implement measures that included releasing supplies from strategic reserves eased market restiveness and prices continued their decline. Following the U.N. renewal of the “oil for food” program for another six-month term on December 5, Iraq resumed exports on December 13. Despite the official resumption, actual exports were erratic during the remainder of the month. Notably as prices slowed their descent during the latter part of the month, market speculation focused more on whether the Organization of Petroleum Exporting Countries (OPEC) would cut production during the ministerial meeting in January. According to the group’s price band mechanism, if the aggregate price for the reference basket of crude oil streams falls below the \$22- to \$28-per-barrel range for 10 consecutive business days, production would be cut by 500,000 barrels per day. At various points during the month a number of the group’s members including Indonesia, Iran, Kuwait, Libya, and the United Arab Emirates endorsed an output cut. Some of these nations supported an even larger cut of 1 million barrels per day to sustain prices. A growing

consensus among market participants that OPEC would cut production fortified prices as the month drew to a close.

In the United States, December crude oil and finished product prices declined to some of their lowest levels in months. Crude oil prices were influenced by the ongoing influx of product from the Strategic Petroleum Reserve (SPR) and the view that demand will follow characteristic seasonal trends and ease during the next few months. Gasoline prices experienced the most significant declines, outpacing the drop in crude oil prices at the beginning of the month. Supply reports showed gasoline stocks were within close range of year-ago levels and were comfortable enough to meet current demand. A comparison of year-on-year spot market prices at New York Harbor reflected these trends. The price ranged between 65.3 cents per gallon and 73.9 cents per gallon in December 1999 with a monthly average of 70.3 cents per gallon. In December 2000, the price

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, “Refiners’ Monthly Cost Report”; petroleum product prices: Form EIA-782A, “Refiners’/Gas Plant Operators’ Monthly Petroleum Product Sales Report.”

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	December 2000		November 2000		December 1999		December 2000		November 2000		December 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	106.2	62.3	113.4	62.5	90.3	62.7	87.9	301.2	100.1	297.7	76.0	327.5
<b>Conventional</b> .....	100.8	35.3	108.6	35.9	88.1	36.8	82.7	191.6	95.8	191.9	73.1	211.3
Regular .....	97.6	26.5	105.7	27.2	84.4	26.4	81.1	155.5	94.3	155.6	71.1	165.6
Midgrade .....	107.2	4.9	114.9	4.9	94.3	5.7	87.3	12.6	99.6	12.5	77.6	15.5
Premium .....	114.4	4.0	121.3	3.8	101.4	4.7	90.9	23.6	103.3	23.7	81.5	30.2
<b>Oxygenated</b> .....	113.1	4.0	120.6	3.5	94.7	3.8	97.8	12.8	107.9	12.3	82.3	13.1
Regular .....	109.7	3.1	117.1	2.7	91.0	2.8	96.5	10.1	106.7	9.7	80.6	9.9
Midgrade .....	120.0	0.6	127.7	0.5	101.3	0.6	97.9	1.5	107.5	1.5	82.7	1.7
Premium .....	130.2	0.4	138.5	0.3	111.2	0.4	108.3	1.2	118.8	1.1	93.0	1.5
<b>Reformulated</b> .....	113.1	23.0	119.8	23.1	93.3	22.1	96.8	96.8	108.1	93.5	81.3	103.0
Regular .....	108.8	16.2	116.0	16.5	88.7	15.1	93.6	71.6	105.4	69.2	77.9	72.0
Midgrade .....	119.6	3.5	125.9	3.4	98.9	3.7	103.9	8.5	112.9	8.2	86.1	10.7
Premium .....	127.4	3.3	133.0	3.2	107.8	3.3	106.9	16.8	116.9	16.1	90.7	20.3
<b>Aviation Gasoline</b> .....	126.0	0.1	134.9	0.2	119.6	0.1	128.8	0.4	137.6	0.5	110.2	0.5
<b>Kerosene-Type Jet Fuel</b> .....	99.8	49.9	106.6	50.1	73.3	48.9	99.3	13.8	105.1	12.3	72.1	16.2
<b>Propane (Consumer Grade)</b> .....	68.3	2.7	63.8	2.7	57.7	4.1	76.7	52.1	63.3	41.3	41.8	45.6
<b>Kerosene</b> .....	122.7	0.5	122.9	0.3	89.1	0.3	105.8	3.7	113.0	2.4	76.5	4.6
<b>No. 1 Distillate</b> .....	105.8	0.5	111.3	0.4	82.5	0.5	107.8	4.5	114.0	3.3	80.4	4.2
<b>No. 2 Distillate</b> .....	100.0	26.7	106.9	25.3	73.6	25.7	93.9	129.2	102.6	124.1	69.9	123.0
No. 2 Fuel Oil .....	101.4	3.4	106.4	2.8	73.9	3.4	94.3	33.8	100.4	25.6	67.8	28.5
No. 2 Diesel Fuel .....	99.7	23.3	107.0	22.6	73.5	22.3	93.8	95.3	103.2	98.6	70.5	94.5
Low Sulfur .....	101.7	15.1	109.3	15.2	75.8	15.0	94.2	78.7	103.8	84.5	71.0	81.0
High Sulfur .....	96.0	8.1	102.2	7.3	68.9	7.3	92.2	16.6	99.6	14.1	67.4	13.6
<b>No. 4 Fuel<sup>a</sup></b> .....	87.4	0.6	87.5	0.4	63.8	0.4	81.3	0.3	90.1	0.2	60.2	0.2
<b>Residual Fuel Oil</b> .....	62.2	17.6	64.7	13.9	51.9	12.9	57.8	9.2	61.3	10.0	47.2	10.8
Sulfur Content not > 1 % .....	76.4	5.3	77.1	4.3	56.9	3.7	66.8	4.5	71.3	4.6	50.3	5.5
Sulfur Content > 1 % .....	56.2	12.4	59.2	9.6	49.9	9.2	49.3	4.7	52.8	5.4	44.0	5.3

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

ranged between 69.5 cents per gallon and 83.3 cents per gallon with a monthly average of 73.7 cents per gallon reflecting a slightly less than 5 percent increase. With cold temperatures, inclement winter weather, and record-setting high natural gas prices across the country, market attention was increasingly focused on distillate fuels. Heating oil prices in the Northeastern region of the country were particularly affected by persistent cold weather and predictions for a severe winter storm to strike the area at the close of the year. At New York Harbor, the December 2000 spot price for No. 2 heating oil ranged between 85.3 cents per gallon and \$1.050 per gallon with a monthly average of 93.8 cents per gallon. While the current year monthly average points out a 40 percent increase from the December 1999 level, they also show a nearly 20 percent change from the comparative November levels. Additional support for distillate prices in that and other regional markets came

from large volume end users that typically use natural gas. With skyrocketing natural gas prices, these consumers—particularly power generation companies—sought a less expensive alternative to it. As a result of these factors, distillate demand in December is estimated to have risen more than 14 percent from November's level.

Additional December market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma decreased consider-

ably during December. Opening at \$33.61 per barrel, it went into a sharp decline at the beginning of the month despite the suspension of crude oil exports from Iraq. Although the price experienced some short-lived counter movements during coming weeks, it continued to retreat from the long-term highs seen during recent months. The price reached the low of \$25.82 per barrel on December 28 when Iraqi crude oil shipments from Ceyhan, Turkey resumed. Closing at \$26.72 per barrel, the price was \$6.89 lower than its opening level.

- December monthly average crude oil prices fell sharply from November levels. The average domestic crude oil first purchase price lost the most ground, falling \$5.80 (19.1 percent), to \$24.50 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil dropped \$4.96 (18.1 percent), to \$22.41 per barrel. The average landed cost of foreign crude oil decreased \$4.41 (15.2 percent), to \$24.51 per barrel.
- The average refiner acquisition cost for domestic crude oil declined \$4.61 (14.2 percent), to \$27.80 per barrel. The average cost of imported crude oil to U.S. refiners fell \$4.86 (16.2 percent), to \$25.12 per barrel. The composite refiner acquisition cost for crude oil decreased \$4.78 (15.4 percent), to \$26.19 per barrel.

while the average wholesale price plummeted 12.2 cents to 87.9 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets declined 7.7 cents to \$1.048 per gallon. The average wholesale price fell 12.2 cents to 88.3 cents per gallon. The average dealer tank wagon (DTW) price dropped 8.6 cents to \$1.000 per gallon, while the average rack price sank 13.8 cents to 83.9 cents per gallon. The average price for bulk sales decreased 13.3 cents to 79.4 cents per gallon. Reformulated gasoline prices outstripped conventional gasoline prices by 9.6 cents at retail and 12.0 cents at wholesale. Oxygenated gasoline prices were 11.6 cents higher than conventional gasoline prices at retail and 13.5 cents at wholesale.

- Refiner gasoline sales in December show only modest changes from November rates. Total sales rose 3.3 million gallons per day (0.9 percent), to an average of 363.5 million gallons per day. Retail sales fell 200,000 gallons per day (0.3 percent), while wholesales increased 3.5 million gallons per day (1.2 percent). Rack sales accounted for 65.3 percent of wholesales, while DTW and bulk sales made up 23.2 percent and 11.5 percent, respectively. Reformulated gasoline (RFG) accounted for 33.0 percent of total motor gasoline sales, while oxygenated gasoline constituted 4.6 percent.

## Petroleum Products

### *Motor Gasoline*

The December daily spot price for regular gasoline at New York Harbor retreated considerably from the levels seen in November and throughout the past year. The price opened at 86.9 cents per gallon, but following the release of inventory reports that showed an increase in stock levels, the price fell 16 cents in just over a week's time. It remained comparatively slack through much of the rest of the month, reaching the low of 69.5 cents per gallon on December 20. It gained some ground at the end of the month due in part to an expected round of refinery maintenance slated to begin in January. Closing at 76.4 cents per gallon, the price was more than 10 cents lower than December's opening level.

- National average gasoline prices dropped sharply in December. The average price for retail sales of motor gasoline by refiners fell 7.2 cents to \$1.062 per gallon,

### *No. 2 Distillate*

At New York Harbor, the daily spot price for No. 2 heating oil declined fitfully in December. Cold temperatures throughout the country along with very high natural gas prices spurred the price upward while falling crude oil prices and cargoes arriving from foreign ports pulled the price down. After opening at \$1.049, the price seesawed during the first few weeks of the month. During that variable period, the month's high of \$1.050 per gallon was registered on December 6. By mid-month the price had fallen below 90 cents per gallon for the first time since August as supplies began to arrive from foreign ports. Continuing to fluctuate, the price reached its low of 85.3 cents per gallon on December 27. It closed December at 93.1 cents per gallon, nearly 12 cents lower than where it started the month.

- December monthly average No. 2 distillate prices declined in all categories except the national average residential price which rose 1.5 cents to \$1.411 per gallon. The average wholesale price fell 8.0 cents to 95.0 cents per gallon. The average price for No. 2 diesel fuel dropped 5.7 cents at company-operated re-

tail outlets, while the average wholesale price decreased 9.1 cents. The deviation between low- and high-sulfur diesel fuel prices was 2.7 cents at retail and 2.0 cents at wholesale.

- Refiner sales of No. 2 distillates mostly increased during December. Total sales of No. 2 distillate rose 6.2 million gallons (4.1 percent), to 155.8 million gallons per day. Sales of No. 2 fuel oil climbed 8.8 million gallons per day (31.0 percent), while sales of No. 2 diesel fuel fell 2.6 million gallons per day (2.1 percent). Low-sulfur diesel fuel made up 79.1 percent of all refiner diesel fuel sales, and 60.2 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- Monthly average residual fuel oil prices fell in December. Refiner prices for low-sulfur residual fuel decreased 0.7 cent to 76.4 cents per gallon at retail, and 4.5 cents to 66.8 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail dropped 3.0 cents to 56.2 cents per gallon, while the wholesale price declined 3.5 cents to 49.3 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price fell 3.3 cents to 73.9 cents per gallon at retail, and 2.8 cents to 68.7 cents per gallon at wholesale. Prices for high-sulfur residual fuel oil dropped 4.1 cents to 57.5 cents per gallon at retail, and 5.2 cents to 51.4 cents per gallon at wholesale.

- Residual fuel oil sales by refiners generally increased in December. Total sales rose 2.9 million gallons per day (12.1 percent), to 26.8 million gallons per day. Low-sulfur residual fuel sales increased 900,000 gallons per day (10.1 percent), while high-sulfur residual fuel oil sales rose 2.1 million gallons per day (14.0 percent).

### ***Other Products***

- Except for propane, December monthly average prices for the remaining products declined. Refiner propane prices increased 4.5 cents per gallon at retail and 13.4 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price jumped 13.6 cents per gallon. The average retail price for propane leaped 16.0 cents, while the wholesale price rose 13.2 cents per gallon. Prices for the remaining products, kerosene, kerosene-type jet fuel, aviation gasoline, No. 1 distillate, and No. 4 distillate decreased by varying amounts at both retail and wholesale.
- Refiner sales of products included in this section largely increased during December. Sales of propane remained flat at retail but climbed at wholesale. Sales of kerosene-type jet fuel fell at retail but rose at wholesale. Kerosene, No. 1 distillate, and No. 4 distillate sales increased at both levels while aviation gasoline sales fell at both retail and wholesale.